

## Dodla Dairy Limited – Plant Visit

We visited Dodla Dairy's fully automated Gundrampally plant in Hyderabad, which showcases impressive scale and efficiency. Spanning 63 acres, out of these, 30 acres are production purpose including solar, ETP plant, staff quarters and another 33 acres for green belt(garden), this facility is the company's largest in terms of area, averaging milk procurement of 1.8Lc liters per day (LPD) and a processing capacity of 3.24 Lc LPD. Dodla operates 16 processing plants across India, Kenya (1 plant), and Uganda (1 plant), with a total capacity exceeding 24 Lc LPD. These facilities are equipped with advanced machinery for transforming raw milk into a wide range of dairy products, supported by a robust network of collection centers, efficient storage infrastructure, and a dedicated transportation fleet.

### Key Takeaways-

- **India Business:** Dodla Dairy is progressing with its growth strategy by expanding operations in Maharashtra, where it has acquired 35 acres of land for Rs 10–11 Cr. The company plans to increase milk procurement from 2 Lc LPD to 7 Lc LPD over the next three years, with a long-term target of reaching 10 LLPD. This new capacity in Maharashtra is expected to commence by Apr'26, supported by a total capex of Rs 200–250Cr. Average payback period for new plant is 5–8 years. Dodla's entry into Maharashtra will begin in the southern region, with gradual expansion into the eastern market as opportunities arise. Currently India accounts for 90% of the company's revenue, with H1FY25 sales volumes reaching 14.34 Lc LPD.
- **VAP:** The company is making significant investments to expand its range of value-added products (VAP), a strategy expected to enhance its margins. It achieved its highest-ever quarterly VAP sales of Rs 378 Cr, contributing 39.2% to the overall revenue in Q2FY25. Of this, Rs 166 Cr came from bulk sales while Rs 22 Cr was generated from FAT products. In Q2FY25, curd volumes grew by 4.7%, reaching 323.8 MTPD and contributing 17.3% to the total revenue.
- **Distribution:** Dodla Dairy boasts a well-established distribution network that includes over 55 sales offices, 2,780+ agents, 2,050+ milk and milk products distributors, 645 DRPs, and 82 MTs. The distribution mix is diversified, with 59% of sales attributed to the distribution channel, 20% from agents, 13% from its own retail outlets, 3% from Modern Trade and 3% other channels.
- **International Market:** The company has successfully replicated its India business model in the Africa market, focusing on direct milk procurement, processing, and distribution (traditionally Africa market followed European model – not procuring from farmers directly). Strong performances in Uganda and Kenya contributed to Q2FY25 topline sales of Rs 94 Cr, accounting for 9.5% of total revenue, with EBITDA margins at 5.5%. Sales volume for H1FY25 reached 1.72 Lc LPD, marking a significant increase of 58,000–60,000 liters per day. The company projects its African operations to generate Rs 360 Cr in revenue for FY25. The management attributes the higher margins in Africa to limited competition and constrained processed milk supply. Dodla has maintained a balanced product mix, with yogurt as its top-selling product, complemented by long-life UHT milk.
- **Orgafeed Business:** The company currently supplies cattle feed to 30,000 farmers out of a total network of 1,40,000 farmers, generating Rs 64 Cr in revenue with EBITDA margins of 13% in H1FY25. The company plans to double its sales, targeting Rs 140 Cr around in FY25. Further the newly commissioned catel feed plant would enable it to support its entire farmer base.
- **Direct Sourcing:** The company procures 100% of its milk directly from farmers, ensuring quality and transparency. Dodla dairy also commands a **7-8% of market share** across the four states of South India with larger share in Andhra Pradesh with 12% market share.

**Valuation:** As the stock is not under our coverage, we are not able to provide view on the same. However, on a consensus basis, Dodla Dairy is trading at 26x FY26 PE (Bloomberg Estimates).

### Key Financials (Dodla Dairy Ltd)

(Rs Cr)	FY20	FY21	FY22	FY23	FY24
Net Sales	2,139	1,944	2,243	2,812	3,125
EBITDA	141	242	211	191	289
EBITDA Margin %	7	12	9	7	9
Net Profit	55	126	138	129	167
EPS (Rs)	9	21	23	22	28

Source: Ace Equity, Axis Securities

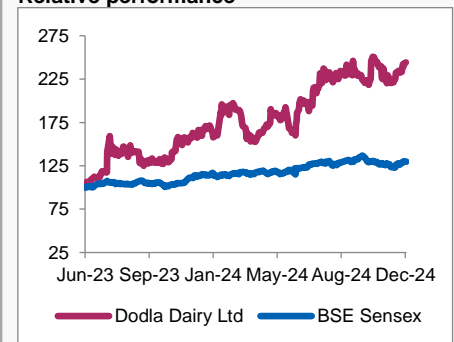
(CMP as of 11<sup>th</sup> December 2024)

CMP (Rs)	1310
High/Low (Rs)	1345/792
Market cap (Cr)	7905
Avg. daily vol.(6m) Shrs '000.	113
No. of shares (Cr)	6

### Shareholding (%)

	Mar-24	Jun-24	Sep-24
Promoter	62.2	60.5	59.7
FII's	9.1	10.9	11.6
MFs / UTI	15.1	16.1	15.5
FI's / Banks	0.0	0.0	0.0
Others	13.6	12.6	13.2

### Relative performance



Source: Ace Equity, Axis Securities

**Preeyam Tolia**

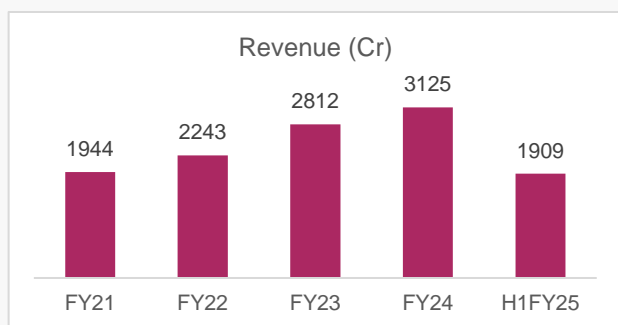
Research Analyst

email: preeyam.tolia@axissecurities.in

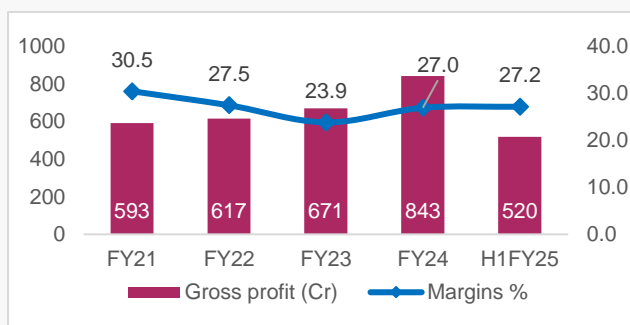
**Suhanee Shome**

Research Associate

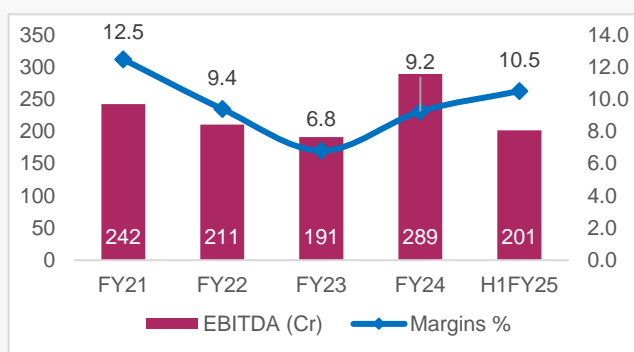
email: suhanee.shome@axissecurities.in

**Exhibit 1: Revenue (Cr)**


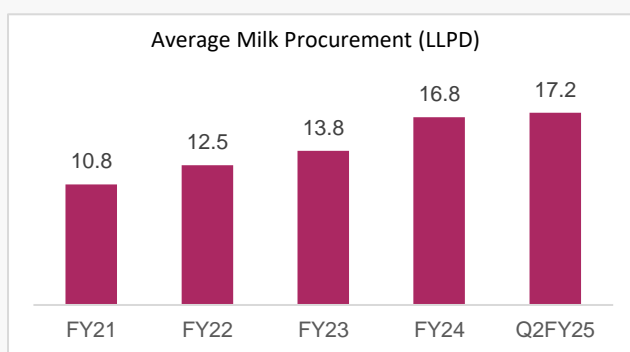
Source: Company, Axis Securities

**Exhibit 2: Gross profit Vs Margin**


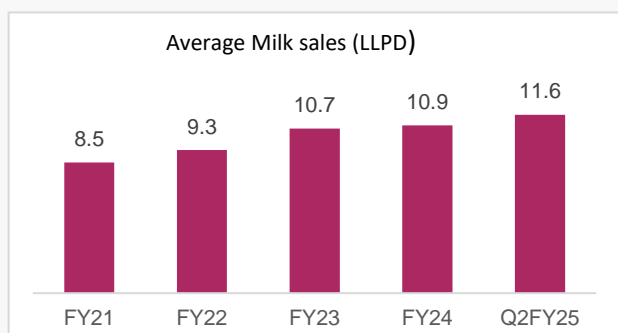
Source: Company, Axis Securities

**Exhibit 3: EBITA (Cr) vs Margin (%)**


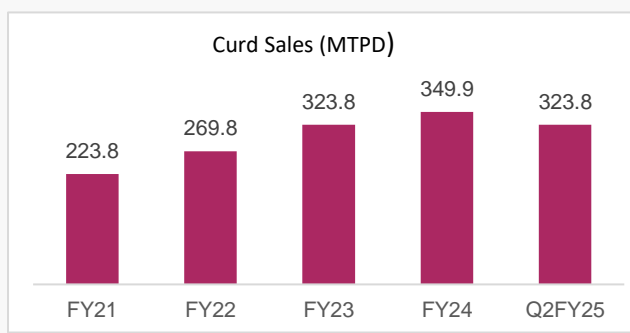
Source: Company, Axis Securities

**Exhibit 4: Average Milk Procurement (LLPD)**


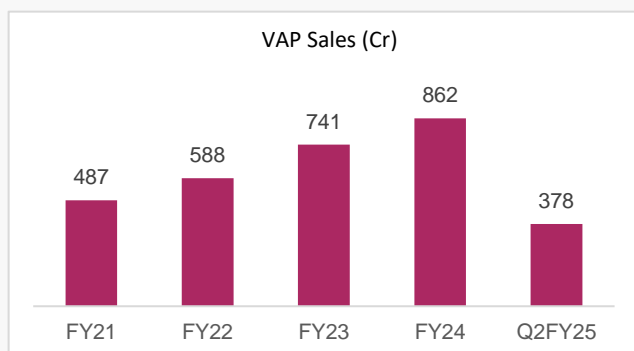
Source: Company, Axis Securities

**Exhibit 5: Average Milk sales (LLPD)**


Source: Company, Axis Securities

**Exhibit 6: Curd Sales (MTPD)**


Source: Company, Axis Securities

**Exhibit 7: VAP Sales (Cr)**


Source: Company, Axis Securities

## Other Highlights

### Exhibit 8: Product Offerings



Source: Company, Axis Securities

### Exhibit 9: Gundrampally plant



Source: Company, Axis Securities

The fully automated plant, located at Gundrampally near Hyderabad, commenced operations in 2017. This processing plant handles milk and manufactures dairy-based value-added products (VAPs) such as curd, butter, ghee, paneer, ice cream, flavoured milk, and various milk-based sweets. The plant serves the cities of Hyderabad, Nalgonda, Karimnagar, Warangal, Bijapur, and Gulbarga.

The Gundrampalli plant of Dodla Dairy features a meticulously organized section-wise planogram, ensuring seamless and efficient operations across its key processes-

**Exhibit 10: key processes**

1. Milk Unloading area	9. Butter Section
2. QA-Lab	10. BDF
3. Icecream section	11. Valve Cluster
4. Products Packing	12. Ghee Section
5. Icecream Pre-Mixing	13. Ghee packing
6. Bi products manufacturing	14. Flavoured Milk
7. Control room (Scada)	15. Milk and Curd packing
8. Milk & Curd Pasteurization	16. Dispatch

This structured workflow highlights the plant's focus on precision, quality, and efficient product handling.

## Other Features (Gundrampally Plant)

### 1. Streamlined Operations

**Dodla Dairy exemplifies operational excellence by implementing a manufacturing value chain in its plant designed to enhance capacity utilization, operational efficiency, and continuous improvement. This framework seamlessly integrates:**

- Village-Level Collection Centers (VLCCs): Supervised clusters, with one supervisor overseeing every 20 villages, ensure efficient milk collection and quality monitoring.
- Milk Chilling Units: Advanced units maintain temperatures below 4°C to preserve milk freshness and quality.
- Processing Plants: State-of-the-art facilities process milk under stringent quality standards.

With an extensive network of 7600+ milk procurement centers, 160 chilling units, and 16 processing plants, Dodla Dairy ensures agility and profitability while consistently delivering superior dairy products.

### 2. Ensuring Excellence: From Farm to Consumer

**Additionally, Dodla Dairy exemplifies commitment to quality and food safety through meticulously defined protocols spanning procurement to distribution:-**

- **Procurement Stage:** Village Level Collection Centers (VLCCs) are equipped with GPRS-enabled electronic milk analyzers, ensuring precise testing of fat and Solid-Not-Fat (SNF) content in raw milk. Additional checks for color and smell help segregate substandard milk, maintaining quality from the outset.
- **Processing Stage:** At chilling centers and processing plants, raw milk undergoes stringent adulteration and neutralizer tests to detect contaminants. The Hyderabad facility features the advanced FT-1 Milko-Scanner, capable of conducting 26 adulteration tests automatically, further enhancing safety measures.
- **Quality Assurance:** A comprehensive, well-documented quality management system governs all stages of operation. Quality checks are meticulously recorded in a quality manual to ensure only milk meeting rigorous standards progresses to further processing.

Dodla Dairy's robust quality framework underscores its unwavering dedication to delivering superior dairy products to its customers.

### 3. Harnessing solar power for a greener future

1500KW solar installation at the Gundrampalli plant reinforces the company's commitment to reducing GHG emissions and promoting eco-friendly practices.

**Exhibit 11 Presence Across the Dairy Value Chain**



Source: Company, Axis Securities



## Financials

### Profit & Loss

(Rs Cr)

Particulars	FY21	FY22	FY23	FY24
<b>Net sales</b>	<b>1,944</b>	<b>2,243</b>	<b>2,812</b>	<b>3,125</b>
Growth, %	(9.1)	15.4	25.3	11.1
Raw material expenses	(1,351)	(1,626)	(2,141)	(2,282)
Employee expenses	(90)	(102)	(119)	(136)
Other Operating expenses	(261)	(304)	(361)	(418)
<b>EBITDA (Core)</b>	<b>242</b>	<b>211</b>	<b>191</b>	<b>289</b>
Growth, %	72.1	(13.1)	(9.2)	51.0
Margin, %	12.5	9.4	6.8	9.2
Depreciation	(51)	(52)	(61)	(70)
<b>EBIT</b>	<b>192</b>	<b>158</b>	<b>130</b>	<b>219</b>
Growth, %	109.0	(17.4)	(17.9)	68.2
Margin, %	9.9	7.1	4.6	7.0
Interest paid	(12)	(7)	(1)	(2)
Other Income	6	14	23	27
Non-recurring Items	-	-	-	-
<b>Pre-tax profit</b>	<b>186</b>	<b>171</b>	<b>159</b>	<b>244</b>
Tax provided	(60)	(33)	(30)	(77)
<b>Profit after tax</b>	<b>126</b>	<b>138</b>	<b>129</b>	<b>167</b>
<b>Net Profit</b>	<b>126</b>	<b>138</b>	<b>129</b>	<b>167</b>
Growth, %	129.6	9.8	(6.7)	29.1
<b>Net Profit (adjusted)</b>	<b>126</b>	<b>138</b>	<b>129</b>	<b>167</b>

Source: RHP

### Balance Sheet

Particulars	FY21	FY22	FY23	FY24
Cash & bank	224	132	125	103
Marketable securities at cost	60	129	190	183
Debtors	5	5	9	11
Inventory	96	121	120	389
Loans & advances	3	0	0	0
Total current assets	402	403	474	708
Investments	-	56	70	13
Gross fixed assets	724	791	902	1,052
Less: Depreciation	(175)	(225)	(279)	(339)
Add: Capital WIP	8	4	58	12
Net fixed assets	557	570	682	726
<b>Total assets</b>	<b>972</b>	<b>1,088</b>	<b>1,251</b>	<b>1,478</b>
Current liabilities	195	188	215	262
Provisions	9	11	10	11
Total current liabilities	203	199	225	273
Non-current liabilities	111	47	54	66
Total liabilities	314	245	279	339
Paid-up capital	58	59	59	59
Reserves & surplus	600	784	913	1,079
Shareholders' equity	658	843	972	1,139
<b>Total equity &amp; liabilities</b>	<b>972</b>	<b>1,088</b>	<b>1,251</b>	<b>1,478</b>

Source: RHP

**Cash Flow**
**(Rs Cr)**

Particulars	FY21	FY22	FY23	FY24
Pre-tax profit	186	171	159	244
Depreciation	51	52	61	70
Chg in working capital	5	(77)	45	(247)
Total tax paid	(44)	(44)	(42)	(79)
Other operating activities	-	-	-	-
<b>Cash flow from operating activities</b>	<b>197</b>	<b>103</b>	<b>223</b>	<b>(12)</b>
Capital expenditure	(58)	(65)	(173)	(114)
Chg in investments	0	(56)	(14)	57
Chg in marketable securities	(49)	(68)	(62)	7
Other investing activities	-	-	-	-
<b>Cash flow from investing activities</b>	<b>(106)</b>	<b>(184)</b>	<b>(242)</b>	<b>(50)</b>
Free cash flow	91	(81)	(18)	(63)
Equity raised/(repaid)	102	48	6	0
Debt raised/(repaid)	(34)	(53)	18	11
Dividend (incl. tax)	-	-	-	-
Other financing activities	-	-	-	-
<b>Cash flow from financing activities</b>	<b>68</b>	<b>(5)</b>	<b>24</b>	<b>11</b>
Net chg in cash	159	(86)	6	(52)
Opening cash balance	69	224	132	125
Closing cash balance	224	132	125	103

Source: RHP



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Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – [compliance.officer@axisdirect.in](mailto:compliance.officer@axisdirect.in);

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Arium Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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